

EXHIBIT

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Arnold I. Palacios
Governor

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

Governor Arnold Palacios's Statement on IPI Settlement Offer: "Let's Be Transparent"

Last week, the Commonwealth Casino Commission (CCC) finally moved to revoke the exclusive casino license of Imperial Pacific International (IPI). The hearing was pushed back no less than three times. IPI tried up to the very last minute to stop it from happening by filing for a temporary restraining order in federal court.

They failed.

Years of lawsuits, unpaid workers and vendors, broken promises, and an unfinished shell of a hotel building at the heart of our tourist district in Garapan have brought us to this point. **But at last week's hearing, in testimony under oath, IPI Director Howyo Chi falsely accused me of backing out on a deal.**

According to Mr. Chi's sworn testimony at the revocation hearing, settlement terms totaling \$50 million were mutually agreed between IPI and the CCC but rejected when presented to me.

That is untrue.

In fact, after Mr. Chi had agreed to put terms discussed with the CCC in writing for my consideration, he instead presented me entirely different terms in writing with a third the monetary value.

The CCC and Office of the Attorney General (OAG) flatly rejected those terms. I also rejected them. That proposal, under which IPI would pay only \$15 million of the more than \$60 million it owes the Commonwealth in arrears, was the *only* one ever tendered to me before the revocation hearing commenced on February 28.

I was brought into settlement discussions between IPI and the CCC late in the game—on February 6, just two weeks ahead of what was then the revocation hearing date. **My involvement was necessary only to the extent that any settlement would require my signature on yet another amendment to IPI's casino license agreement.**

From the beginning, I was clear that I wanted the opportunity to carefully review proposed settlement terms in writing before making any decisions on a license amendment. I wanted to make sure that the terms of any settlement would be beneficial to the Commonwealth and have the endorsement of the CCC and the OAG.

Although counsel for IPI and the CCC both agreed during settlement negotiations that the terms of settlement would be inadmissible in any other forum, IPI breached that agreement by eliciting testimony about settlement terms during the revocation hearing. It further filed a settlement proposal under seal that purportedly presents terms mutually agreed between IPI and the CCC.

IPI now publicly accuses me of rejecting that proposal. Let me be clear: *I have not seen the proposal that was filed under seal.* I have no idea what the terms are.



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During settlement negotiations, IPI not only threatened to refile lawsuits against the Commonwealth, the Casino Commissioners, and me if no agreement was reached; they also threatened to go to the media and the court of public opinion to claim that the Commonwealth was leaving money on the table. These promises, at least, they have kept.

Ironically, if not disingenuously, Mr. Chi expressed frustration with the Commonwealth government and claimed to not know who the government's decision-makers are. For nearly a decade that has been the Commonwealth's experience in dealing with IPI and holding them accountable. Negotiating with them has been like chasing butterflies in a field. Who's calling the shots at IPI?

The CNMI government's decision-makers are not obscure. **The CCC has the sole authority under the law to revoke, reinstate, or approve a transfer of IPI's casino license.** As governor, I have the authority to approve or disapprove a casino license amendment. And I cannot make a decision on terms I have not even seen.

If IPI is truly interested in "leaving the island peacefully" and settling its debts to the Commonwealth, it can begin by acting in good faith and transparency and providing in writing what I have requested all along: settlement terms that are fair and beneficial to the Commonwealth, agreeable to the CCC, and approved by the Attorney General.

Mr. Chi also testified under oath at the revocation hearing that he has been personally communicating with an outside investor, Kyosei Bank, since August 2023. IPI filed in federal court a Memorandum of Understanding (MOU) which it purportedly signed with Kyosei Bank in July 2023 but never disclosed to the CCC. This MOU promised a cash infusion which IPI's own exhibits in federal court demonstrate was never actually provided.

At last week's hearing, Mr. Chi testified that Kyosei has promised funding to complete the casino project well beyond what it outlined in this MOU. If this is in fact true, there is nothing barring IPI from simply paying what it **owes the CNMI government** and IPI's judgment creditors in the Commonwealth and federal courts.

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